

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L JIDDA 2520

E.O. 11652: GDS
TAGS: ETRD, BTIO, SA, TC
SUBJECT: BOYCOTT LANGUAGE IN SAG CONTRACTS

1. SAG HAS FOR SOME TIME BEEN WORKING TO STANDARDIZE TERMS OF CONTRACTS LET BY GOVERNMENT AGENCIES, UNDER AUSPICES OF COMMITTEE CHAIRED BY ABD AL AZIZ RASHID, EX-DEP MIN FINANCE, AND NOW GOVERNOR OF SALT WATER CONVERSION CORP. WE UNDERSTAND THAT STANDARD FORM CONTRACTS ARE BEING CONSIDERED FOR CONTRACTORS, SUPPLIERS, CONSULTANTS, AND PERHAPS OTHER CATEGORIES OF POTENTIAL CONTRACTORS. AL RASHID TOLD US RECENTLY THAT WORK IS NEARING COMPLETION.

2. WE NOW HAVE OBTAINED TEXT OF SELECTED CLAUSES WHICH WE UNDERSTAND ARE TO BE EMPLOYED IN ALL SAG CONTRACTS, AND WHICH MAY HAVE BEEN ISSUED (WHETHER IN DRAFT OR FINAL FORM IS STILL UNCLEAR) BY MINISTRY OF COMMERCE ON MARCH 28. THESE CLAUSES READ AS FOLLOWS:

3. QUOTE: IN CONNECTION WITH THE PERFORMANCE OF THIS CONTRACT, THE CONTRACTOR/SUPPLIER ACKNOWLEDGES THAT THE IMPORT AND CUSTOMS LAWS AND REGULATIONS OF THE KINGDOM OF SAUDI ARABIA SHALL APPLY TO THE FURNISHING AND

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SHIPMENT OF ANY PRODUCTS OR COMPONENTS THEREOF TO SAUDI ARABIA. THE CONTRACTOR/SUPPLIER SPECIFICALLY ACKNOWLEDGES THAT THE AFOREMENTIONED IMPORT AND CUSTOMS LAWS AND REGULATIONS OF THE KINGDOM OF SAUDI ARABIA PROHIBIT, AMONG OTHER THINGS, THE IMPORTATION INTO SAUDI ARABIA OF PRODUCTS OR COMPONENTS THEREOF:
(1) ORIGINATING IN ISRAEL; (2) MANUFACTURED, PRODUCED

OR FURNISHED BY COMPANIES ORGANIZED UNDER THE LAWS
OF ISRAEL; AND (3) MANUFACTURED, PRODUCED OR FURNISHED
BY NATIONALS OR RESIDENTS OF ISRAEL.

4. QUOTE: THE GOVERNMENT OF SAUDI ARABIA (OR THE
FIRST PARTY), IN ITS EXCLUSIVE POWER, RESERVES ITS
RIGHT TO MAKE THE FINAL UNILATERAL AND SPECIFIC SELEC-
TION OF ANY PROPOSED CARRIERS, INSURERS, SUPPLIERS OF
SERVICES TO BE PERFORMED WITHIN THE KINGDOM OF SUADI
ARABIA OR OF SPECIFIC GOODS TO BE FURNISHED IN
ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS
CONTRACT. END QUOTE.

5. COMMENT: WE HAVE WELCOMED SAG PROPOSALS FOR
STANDARD FORM CONTRACTS, WHICH MIGHT GO FAR IN REMOVING
UNEVENNESSOF CURRENT SAG CONTRACTING PROCEDURES AND
REQUIREMENTS. WE HAVE POINTED OUT TO AL RASHID, HOWEVER,
THAT CONTRACT LANGUAGE, IF IT IS TO BE HELPFUL IN
ENABLING LARGER NUMBER OF U.S. FIRMS TO BID ON PROJECTS
HERE, MUST BE DRAFTED WITH CONCERN FOR REQUIREMENTS
OF NEW U.S. LEGISLATION (EXPORT ADMINISTRATION AND
TAX REFORM ACTS). OUR FIRST REACTION TO THE CLAUSES
QUOTED ABOVE IS THAT SAG HAS SOUGHT TO MAKE THINGS
EASIRE FOR U.S. FIRMS BY CONCENTRATING ON ENFORCEMENT
OF PRIMARY BOYCOTT, WITHOUT IMPOSING ANY SECONDARY
BOYCOTT REQUIREMENTS ON CONTRAVTORS, AND BY EMPHASIZING
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ITS OWN RIGHT OF UNILATERAL SELECTION.
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